

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15

USIA-15 ACDA-19 IO-15 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

SAJ-01 NIC-01 FPC-01 INT-08 SCEM-02 STR-08 DRC-01

EA-11 FMC-04 /230 W

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R 041548Z OCT 73

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 2695

INFO AMEMBASSY BONN

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DEPT PASS COMMERCE AND TREASURY

BONN PASS SECRETARY SHULTZ

E.O. 11652: N/A

TAGS: BEXP, UR, US

SUBJ: THIRD SESSION OF JOINT U.S. - USSR

COMMERCIAL COMMISSION

REF: A. MOSCOW 12137 B. MOSCOW 12155

1. SUMMARY: THIRD SESSION OF JOINT US-USSR COMMERCIAL COMMISSION CONCLUDED LATE MORNING OCT 3 WITH SIGNING CEREMONY FOR AGREED MINUTES AND PROTOCOL PROVIDING FOR OCT 3 OPENING US. COMMERCIAL OFFICE IN MOSCOW AND USSR TRADE REPRESENTATION IN WASHINGTON. IN TWO PLENARY SESSIONS AND FOUR WORKING GROUP MEETINGS DURING TWO AND ONE HALF DAY PERIOD PARTICIPANTS EXAMINED DEVELOPMENTS
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IN PRINCIPAL AREAS OF US-SOVIET TRADE AND ECONOMIC

RELATIONSHIPS. END SUMMARY.

2. INITIAL PLENARY SESSION BEGINNING 1200 OCT 1, CHAIRED BY SOVIET FOREIGN TRADE MINISTER N.S. PATOLICHEV, ESTABLISHED AGENDA: (A) STATUS OF TRADE AND ECONOMIC RELATIONS BETWEEN THE US. AND THE USSR; (B) STATUS OF RECIPROCAL BUSINESS FACILITIES IN THE US AND USSR; (C) PROJECT FINANCING; (D) US-USSR COOPERATION IN PROJECTS TO DEVELOP NATURAL GAS RESOURCES IN USSR; (E) US-USSR COOPERATION IN CONSTRUCTION OF PRODUCTION FACILITIES FOR SUCH MATERIALS AS ALUMINUM, METHANOL, FERRO-MANGANESE, FERRO-CHROMIUM AND FERRO-SILICON; (F) REPORT ON STATUS OF JOINT US-SOVIET TRADE AND ECONOMIC COUNCIL; AND (G) INAUGURATION OF THE US COMMERCIAL OFFICE IN MOSCOW.

3. WORKING GROUP MEETINGS HELD OCT 1-2 REVIEWED PROBLEMS AND ACHIEVEMENTS IN AREAS COVERED BY AGENDA ITEMS (B) THROUGH (E). JOINT US-SOVIET TRADE AND ECONOMIC COUNCIL CHAIRMAN DONALD M. KENDALL AND USSR ALL-UNION CHAMBER OF COMMERCE PRESIDENT B.A. BORISOV REPORTED ON PROGRESS IN ORGANIZING COUNCIL.

4. REGARDING STATUS OF JOINT TRADE AND ECONOMIC COUNCIL, BORISOV EXPLAINED THAT GROUP WILL BE GOVERNED BY BOARD OF DIRECTORS INCLUDING 26 REPRESENTATIVES FROM EACH SIDE. SIX MEMBERS FROM EACH SIDE WILL CONSTITUTE EXECUTIVE COMMITTEE TO BE CHAIRED BY FORMER ASSISTANT SECRETARY OF COMMERCE HAROLD SCOTT. PRINCIPAL OFFICE WILL BE IN NEW YORK WITH BRANCH OFFICE IN MOSCOW, BOTH TO BE HEADED BY US. CITIZENS. PRESENT PLANS CONTEMPLATE FINANCING COUNCIL THROUGH MEMBERSHIP FEES SUPPLEMENTED BY INCOME FROM COUNCIL'S SERVICES.

5. BUSINESS FACILITATION WORKING GROUP, RECOGNIZING AND APPROVING EXTENSIVE INCREASES IN COMMERCIAL AND ECONOMIC CONTACT, REVIEWED PROBLEMS AMERICAN BUSINESSMEN EXPERIENCE IN MOSCOW, THEN TOOK UP SOVIET REQUEST FOR ADDITIONAL PERSONNEL REQUESTED BY SOVIET TRADE OFFICE IN WASHINGTON. AFTER DISCUSSION OF THIS ISSUE, QUESTION OF CONTINUING EXISTING LIMITED OFFICIAL USE

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WORKING GROUP ON PATENTS AND LICENSES AROSE, CONCLUDING WITH AGREEMENT THAT LICENSING GROUP BE TERMINATED WITH UNDERSTANDING THAT NEW GROUP ON SAME SUBJECT MAY BE CREATED IF NECESSARY.

6. WORKING GROUP ON FINANCE REVIEWED LEVEL AND NATURE OF US CREDITS TO USSR (APPROXIMATELY DOLS 337 MILLION TO DATE, WITH ADDITIONAL POTENTIAL CREDITS FOR CHEMICAL PROJECTS OF

PERHAPS DOLS 160 MILLION. IF APPROVED, THE LATTER WOULD BRING TOTAL TO APPROXIMATELY DOLS 500 MILLION) DISCLOSURE OF FINANCIAL INFORMATION BY USSR WAS THEN DISCUSSED, PRODUCING COMMENT THAT ONE YEAR AGO USSR'S TOTAL FOREIGN DEBTS TOTALLED ABOUT DOLS 1.2 BILLION AND THAT FIGURE IS NOW SOMEWHAT LARGER AS RESULT OF CREDITS RECEIVED FROM US. ON QUESTION OF FINANCING OF NEW INTERNATIONAL TRADE CENTER TO BE BUILT IN MOSCOW IT WAS NOTED THAT A DOLS 36 MILLION EXIMBANK CREDIT MATCHED BY EQUAL SUM FROM CHASE MANHATTAN WOULD BE NEEDED. OTHERWISE SOVIETS WOULD HAVE TO FIND OTHER SOURCES OF FINANCING. CONCERNING DISPARITY BETWEEN US. AND JAPANESE ESTIMATES OF FINANCING COSTS FOR YAKUTIA GAS DEPOSIT EXPLORATION. BOTH SIDES CONCURRED THAT APPARENT DISCREPANCIES WOULD BE CLARIFIED DURING DEPUTY MINISTER OSIPOV'S FORTHCOMING VISIT TO US.

7. WORKING GROUP ON LNG PROJECTS BEGAN WITH SOVIET EXPLANATION OF BOTH MAJOR GAS ENTERPRISES, INCLUDING ALTERNATIVE PIPE LINE ROUTES AND RELATIVE ADVANTAGES AND DISADVANTAGES OF EACH. ENSUING DISCUSSION COVERED (1) NEED TO SPEED NEGOTIATIONS, (2) SORT OUT DISPARITIES IN VARIOUS EQUIPMENT COST ESTIMATES, (3) NECESSITY FOR ADDITIONAL INFORMATION BEFORE USG CAN EVALUATE NATURE AND EXTENT OF OFFICIAL SUPPORT REQUIRED, AND (4) ALTERNATIVES FOR OWNERSHIP OF LNG TANKERS. POSSIBLE ADDITIONAL GAS PROJECTS ON CASPIAN, BALTIC AND BLACK SEAS WERE ALSO TOUCHED UPON, AND SOVIETS NOTED THAT THEY HAD BEGUN DISCUSSION ON THESE PROJECTS WITH EXXON.

8. AFTER CUSTOMARY EXCHANGE OF PLEASANTRIES, WORKING GROUP ON POWER-INTENSIVE INDUSTRIAL FACILITIES REVIEWED PROJECTS ALREADY UNDER CONSIDERATION, THEN COVERED NEW PROPOSALS INTRODUCED BY SOVIET SIDE (SPECIFIC ITEMS ARE LISTED IN WORKING GROUP LIMITED OFFICIAL USE

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MEMORANDA BEING TRANSMITTED SEPARATELY). SOVIET SIDE NOTED AS OF SEPT 1, 1973, USSR HAD SIGNED CONTRACTS WORTH 450 MILLION RUBLES WITH U.S.FIRMS, AND ENSUING DISCUSSION REVOLVED ABOUT STATUS OF PENDING PROJECTS IN RELATION TO EXIM GUARANTEES AND OTHER CREDIT SOURCES. SESSION CONCLUDED WITH OUTLINE OF INFORMATION REQUIREMENTS OF AMERICAN COMPANIES REGARDING PROJECTS PROPOSED BY USSR (PLANT LOCATION AND INPUTS, CAPACITY, CHEMICAL COMPOSITION OF MINERAL, TRANSPORT OPTIONS, BILL OF EQUIPMENT REQUIRED, EARLIEST DATE U.S.PARTIES COULD MAKE SITE VISITS, NATURE OF FINAL PRODUCT TO BE SHARED--I.E. DEGREE OF FINISH).

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SAJ-01 NIC-01 FPC-01 INT-08 SCEM-02 STR-08 DRC-01

EA-11 FMC-04 /230 W

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9. SECOND AND FINAL PLENARY SESSION BEGAN WITH BRIEF
STATEMENT BY PATOLICHEV BEFORE ORAL PRESENTATION OF
WORKING GROUP REPORTS. MANZHULO DISCUSSED BUSINESS FACILITATION,

ALKHIMOV FINANCING, OSIPOV LNG PROJECTS AND KOMAROV OTHER
INDUSTRIAL PROJECTS. AMERICAN SIDE COMMENTED AFTER EACH
PRESENTATION. BENNETT REGARDING FINANCING, LNG, AND
OTHER INDUSTRIAL PROJECTS, AND LAZARUS ON BUSINESS
FACILITATION. UP-BEAT NATURE OF SUMMARIES INCLUDED
EMPHASIS (1) ON CONTINUING PRESS FOR DECISIONS ON LNG
PROJECTS THROUGH STANDING WORKING GROUPS, (2) READINESS
ON SOVIET SIDE TO REACH UNDERSTANDING ON CREDIT
QUESTIONS TOGETHER WITH READINESS TO PROVIDE NEEDED
FINANCIAL INFORMATION AND REQUEST FOR ADDITIONAL DATA
FROM U.S. SIDE (NECESSITY TO CONTINUE SEEK COMPLETE
MUTUAL CONFIDENCE HEAVILY STRESSED IN ALKHIMOV
PRESENTATION), (3) SPEEDING UP ACCREDITATION PROCESS FOR
U.S. FIRMS AND ACHIEVING EQUITABLE SOLUTIONS TO BUSINESS
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FACILITATION PROBLEMS, (4) JOINT EFFORT TO EXAMINE FEASIBILITY AND PUBLICIZE INTEREST OF BOTH SIDES IN JOINT INDUSTRIAL DEVELOPMENT OPPORTUNITIES, ESPECIALLY IN ALUMINUM, FERRO-CHROME, FERRO-MANGANESE AND SIMILAR PROCESSING FACILITIES REQUIRING HEAVY ENERGY INPUTS.

10. FINAL PLENARY CONCLUDED WITH TEN-MINUTE PATOLICHEV WRAP-UP UNDERLINING IMPORTANCE OF MAINTAINING FORWARD MOMENTUM IN DEVELOPMENT OF US-USSR TRADE RELATIONS, FOLLOWED BY SIGNATURE OF PROTOCOL ON US. COMMERCIAL OFFICE AND SOVIET TRADE REPRESENTATION, AGREED MINUTES OF JOINT COMMISSION SESSION, JOINT COMMUNIQUE, LETTERS EXTENDING TERM OF KAMA PURCHASING COMMISSION AND SIZE OF COMMERCIAL REPRESENTATION. ORIGINAL DOCUMENTS ARE WITH SHULTZ/DENT PARTY. COPY OF RUSSIAN LANGUAGE TEXT OF AGREED MINUTES WILL BE POUCHED OCT8. COPIES OF EMBASSY MINUTES OF BOTH PLENARY SESSIONS AND FOUR WORKING GROUP SESSIONS BEING POUCHED SEPARATELY TO BENNETT (TREASURY), LAZARUS (COMMERCE), AND EUR SOV.

11. AFTER PLENARY OCT 3 SECRETARIES SHULTZ AND DENT, UNDER SECRETARY CASEY, MINISTER PATOLICHEV, DEP. MINISTERS ALKHIMOV, KOMAROV, MANZHULO, OSIPOV AND SMEL'YAKOV AND OTHER PARTICIPANTS IN JOINT COMMISSION MEETINGS TRAVELED VIA MOTORCADE TO NEW U.S. COMMERCIAL OFFICE, WHERE SEC. DENT DEDICATED OFFICE, CUT RIBBON IN SYMBOLIC REMOVAL OF ONE MORE BARRIER TO EXPANSION OF US-SOVIET TRADE, AND THUS CONCLUDED JOINT COMMISSION AGENDA.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 04 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: collinp0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MOSCOW12224
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731051/aaaablhd.tel
Line Count: 256
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. MOSCOW 12137 B. MOSCOW 12155
Review Action: RELEASED, APPROVED
Review Authority: collinp0
Review Comment: n/a
Review Content Flags:
Review Date: 31 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31-Jan-2002 by martinjw>; APPROVED <20 FEB 2002 by collinp0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: THIRD SESSION OF JOINT U.S. - USSR COMMERCIAL COMMISSION
TAGS: BEXP, UR, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005